

VZCZCXRO1917
PP RUEHDE
DE RUEHYN #0926/01 0941334
ZNR UUUUU ZZH
P 041334Z APR 06
FM AMEMBASSY SANAA
TO RUEHC/SECSTATE WASHDC PRIORITY 3451
INFO RUEHZM/GULF COOPERATION COUNCIL COLLECTIVE PRIORITY
RUEHLMC/MILLENNIUM CHALLENGE CORP PRIORITY

UNCLAS SECTION 01 OF 04 SANAA 000926

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SENSITIVE
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E.O. 12958: N/A
TAGS: [PREL](#) [PGOV](#) [KDEM](#) [KMPI](#) [KMCA](#) [ECON](#) [PHUM](#) [YM](#)
SUBJECT: FREEDOM AGENDA BRINGS DOWN GOVERNMENT: 2006 FIRST
QUARTER REPORT

REF: A. SANAA 342
[1](#)B. SANAA 2005 2922
[1](#)C. SANAA 537
[1](#)D. SANAA 649
[1](#)E. SANAA 392
[1](#)F. SANAA 146

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[1](#)1. SUMMARY: The Freedom Agenda had a dramatic impact in Yemen within the last quarter, resulting in significant advances in fighting corruption, women's representation in government, independence of the judiciary, and other key areas. Post marshaled a multilateral initiative to pressure President Saleh directly on Freedom Agenda goals, and he responded by naming a new government with a mandate for reform. The prospect of rejoining the Millennium Challenge Account (MCA) helped serve as a strong incentive for the ROYG to improve governance, and targeted USAID and MEPI programs helped strengthen the role of Parliament, local councils, and the courts. The next quarter will be critical for advancing the Freedom Agenda. Post is looking to build on recent successes by engaging the new reform-minded cabinet. To do so, particularly in elections monitoring, we will need additional support from Washington. END SUMMARY.

U.S. Leads Full-Court Press For Reform

[1](#)2. Freedom Agenda goals currently lead the political agenda in Yemen, and Post's diplomatic strategies are showing results on critical reform issues. In the last quarter, Post combined bilateral meetings with ROYG officials, multilateral coordination with the donor community, and targeted programs to advance freedom and democracy in Yemen. With a specific focus on fighting corruption, improving rule of law and press freedom, and promoting free and fair elections, these pressures culminated in President Saleh naming a new cabinet with a reform mandate. (Ref A)

[1](#)3. Last quarter began with a setback, as Yemen was suspended from the MCA due to falling indicators. (Ref B) This delayed ROYG implementation of its MCA Threshold Plan, with reforms intended to reduce corruption and improve rule of law. Yemen's suspension was noted in a letter from MCC CEO Danilovich to President Saleh, detailing specific actions Yemen could take to be reinstated. In the wake of this disappointing news, Post encouraged the ROYG to continue with reforms on its own accord, demonstrating to the MCA and others that Yemen was committed to changing course. As part of this message, the Embassy consistently encouraged ROYG officials to expand the role of civil society and freedom of speech in political discourse.

¶4. At the same time, Ambassador gathered a group of international donors, including the embassies of Germany, the Netherlands, and the U.K, as well the World Bank, to discuss governance and corruption issues in Yemen. The group developed a shared matrix of key short-term reforms the ROYG could undertake to demonstrate its political will, and engaged the Government in working groups on each of these issues. The list included transparent tendering procedures, protection for journalists, and prosecution of corrupt officials.

¶5. In February, Ambassador and other heads of mission delivered these points in a joint meeting with President Saleh. (Ref C) Despite initial resistance by Saleh, he promptly adopted the reform objectives as his own, dismissed the Cabinet, and charged his new government with improving Yemen's performance on international indicators. Many of the reform objectives have been adopted by the Cabinet, and Post is now monitoring progress on implementation. Below is a detailed progress report for each of the five desired outcomes for Yemen under the Freedom Agenda:

Reduced Corruption

¶6. The ROYG took dramatic steps in the last quarter to confront the problem of corruption. Parliament is currently considering a law that would create an independent anti-corruption body, with investigative and prosecutorial powers. The law has strong support from the President, and would give teeth to existing oversight and auditing bodies. The President also assigned a task force to study procurement practices and to present a new tendering law. The law is currently under consideration by the World Bank, and would create a more transparent High Tender Board.

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¶7. The USAID mission is preparing to support such efforts on corruption by dedicating approximately USD one million of ESF funds. The program will begin this quarter with an assessment team, which will outline a comprehensive strategy for combating corruption in Yemen. The team will analyze and make recommendations on key sectors, including public finance management, parliamentary oversight, and the business community. Post then intends to offer buy-in to other donors to implement the anti-corruption strategy.

¶8. Post continued to participate in the multilateral Public Finance Management (PFM) reform group. In coordination with the Ministry of Finance (MOF), the group drafted an action plan for budgetary reform, which was repeatedly blocked by the previous minister. The newly appointed MOF, by contrast, is a strong supporter of PFM, and looks to sign a final agreement within the coming weeks. Post had sought to contribute a Treasury advisor for budgeting as part of this initiative, but there are currently no available funds within USAID or MEPI for this purpose.

¶9. Progress was slower on trade reform, as the previous cabinet delayed Post's efforts to advance WTO-compliance in customs valuation, telecom regulations, commercial law, and other areas. The initial indication is that the new ministers are more supportive of such reforms, and Post will attempt to capitalize on this new opportunity in the coming quarter. Trade reforms remain key to improving Yemen's MCA indicators, and generally creating freedom for investment in Yemen.

Open and Competitive Elections

¶10. With presidential and local council elections only six months away, electoral reforms became highly politicized in

the last quarter. The Embassy is contributing essential programs to the broader elections strategy coordinated by UNDP. Under NDI's women and political parties program, all major parties adopted a new strategy of designating 15 percent of local council districts for women candidates. Post will closely observe implementation of this plan. The ruling GPC party decided independently to reserve 15 percent of its leadership positions for women, and two women surprisingly announced their candidacy for president.

¶11. Post played a mediating role between the GPC and the opposition in disputes over representation on elections oversight committees. (Ref D) To Saleh, Post urged compromise and stressed the importance of fair elections over one-party dominance of the system. At the same time, Post urged the opposition to be realistic in their demands. The SCER currently contends that it will nominate neutral committee members, but after several meetings between Saleh and the opposition, there remains a strong possibility that the two sides will still reach a compromise. Some of these issues were exacerbated by the ROYG's unwillingness to adopt earlier recommendations made under a MEPI-funded IFES program to amend the electoral law.

¶12. NDI issued a critical report regarding by-elections in the newly created governorate of Raimah, in which there was reported to be considerable voter fraud. In response to international criticism, Saleh agreed to allow international observers from the E.U. and elsewhere to monitor the national elections. USAID is currently supporting an NDI monitoring program for the registration period. Post supports a comprehensive elections monitoring program, as outlined in an unsolicited proposal from NDI to MEPI. This would ensure coordination between international and local organizations, and allow for uniform conclusions on the administration of elections.

Strengthened Rule of Law

¶13. The ROYG took the dramatic step of recommending the removal of the President as Head of the Supreme Judicial Council. This was a major component of Yemen's MCA Threshold Plan, which it moved to implement even after being suspended from the program. This came as a surprise to many observers, who believed it would take years to achieve this goal. The change is currently in draft form, and must be approved by Parliament. For the first time, the ROYG also opened the Higher Judicial Institute to women.

¶14. Several MEPI-funded programs began creating a network of reform-minded legal professionals. ABA-CEELI held its first

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workshop on law practice management, and a representative for the ABA delivered a well-received address on human rights to the Yemen Law Faculty. Yemen sent four judges to Qatar, where they participated in commercial law training hosted by the Commercial Law Development Program, and five judges for training in intellectual property rights under the auspices of the U.S. Patent and Trademark Organization.

Increased Government Accountability

¶15. Parliament set an important precedent last quarter, with support from a MEPI-funded NDI program, of overriding a presidential veto of its own by-laws. In addition to asserting the constitutional power of the legislature, Parliament also expanded control over its own budget, agenda, and committee leadership. The first test of its newfound independence, however, came with the election of the parliamentary leadership, and resulted in the reelection of the President's preferred candidates. (Ref E)

¶16. Post continued to make progress in government decentralization, in partnership with UNDP and other donor countries. MEPI funds, administered by USAID, helped district governments draft and implement their own investment budgets and increase governance capacity. The new MOF expressed strong support for decentralized government, and promised to transfer a great share of health and education budgets to the local level. USAID will provide bridge funds for the decentralization program until December 2006.

¶17. The ROYG has also taken important steps to improve accountability in the oil and gas sector by joining the Extractive Industries Transparency Initiative (EITI). (Ref F) Post, the World Bank, and others urged the ROYG to sign EITI as an important step toward improved transparency in Yemen's most critical sector. (NOTE: Approximately 80 percent of government revenue is derived from oil sales. END NOTE.)

¶18. Yemen's civil society remained relatively energetic, and Post advanced a number of programs to make NGOs more effective in advancing reform. MEPI small grants funded the production of a public awareness film on violence and women's education, while two more are expected on fighting terrorism and corruption. Another MEPI program run by Partners for Democratic Change focused on teaching conflict resolution techniques to local leaders. The Civil Democratic Forum, a local NGO, began a program to help transform welfare NGOs into effective forces for political change. Post continues to explore the possibility of creating an NGO training center to improve the advocacy skills of local groups.

Free and Independent Press

¶19. Ambassador and DCM again took strong public positions last quarter in defense of a free press, yet abuses against journalists continued. A recent report by the Committee to Protect Journalists confirmed that the ROYG is not doing enough to protect the press. Behind the scenes, however, Post worked to advance Freedom Agenda goals in private meetings with ROYG officials, pushing the Shura Council to include journalists and civil society when considering a new press law. In addition, the new Minister of Information met with the Yemeni Press Syndicate, and offered to help them draft compromise legislation.

COMMENT: TIME FOR RESULTS

¶20. In the last quarter, the President took a clear position in support of Freedom Agenda goals, and cleared his government of obstructionist ministers. The new Cabinet responded quickly to international pressure for reform, and is implementing important measures to fight corruption, strengthen judicial independence, and improve governance. The next quarter will be an important test of the ROYG's commitment, however, with the run-up to elections and possible readmission to the MCA. Changes in personnel and administrative procedures alone do not constitute reforms, but must be followed by measurable outcomes. Following up on the successes of last quarter, Post will press for such outcomes as the next step of implementing the Freedom Agenda.

In some areas, however, such as public finance management, diminishing resources limit our options to effect change. Post welcomes any and all additional engagement from Washington to realize the Freedom Agenda in Yemen.

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